

STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING - DIVISION OF FINANCIAL ASSISTANCE
June 16, 2005

ITEM 1

SUBJECT

CONSIDERATION OF A RESOLUTION DESIGNATING \$10 MILLION OF PROPOSITION 50 FUNDS FOR OCEAN PROTECTION PROJECTS

DISCUSSION

California's coastal and ocean resources are critical to the State's environmental and economic security, and integral to the State's high quality of life and culture. A healthy ocean is part of the State's legacy, and is necessary to support the State's human and wildlife populations. The State Water Resources Control Board (State Water Board) adopted the Ocean Plan to designate and protect the beneficial uses of the State's ocean waters. The State Water Board also designated areas of special biological significance (ASBS) that require the highest level of protection due to the extraordinary value of the biological communities. Implementation of projects to control nonpoint source discharges to these areas is a high priority for the Water Boards.

The September 2004 report "Protecting Our Ocean, California's Action Strategy", prepared by the California Environmental Protection and Resources Agencies, identifies two critical actions focused specifically on impaired coastal water quality. These actions are:

- Identify priority watersheds for resource protection and use, fishery recovery and water quality, and to improve delivery of state technical and financial assistance to impaired coastal watersheds; and
- Integrate coastal water quality programs to improve their efficiency and effectiveness in cleaning up coastal watersheds, estuaries, bays, beaches, and near-shore waters.

Proposition 50, *The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002*, was approved by the voters on November 5, 2002. Proposition 50 provides funds to the Water Boards to finance projects to restore and protect the water quality and environment of coastal water, estuaries, bays and near-shore waters, and groundwater. State Water Board expenditures of these funds must be consistent with the Coastal Nonpoint Source (CNPS) program established in Proposition 13. Agencies administering Proposition 50, such as the State Water Board and Coastal Conservancy, were directed by the Legislature to encourage integrated, multiple-benefit projects, and utilize stakeholder-based processes for developing Guidelines and project selection criteria.

Senate Bill 1319 (Chapter 719, Statutes of 2004) created the Ocean Protection Act (ACT) and established the Ocean Protection Council (Council) to coordinate state activities related to the protection and conservation of coastal waters and ocean ecosystems, and to improve the effectiveness of state efforts to protect ocean resources within existing fiscal limitations. The executive officer of the Coastal Conservancy acts as secretary to the Council and administers its affairs.

The State Water Board has an opportunity to work with the Council and the Coastal Conservancy to identify and fund projects that offer mutual, and multiple high-priority benefits. The State Water Board requested appropriation of \$66 million of its Proposition 50 funding from Water Code Section 79543 in Fiscal Year (FY) 05-06 for Clean Beaches Initiative (CBI) and for broader CNPS grant programs. Ten million dollars of these funds are proposed to be specifically designated for Ocean Protection projects. Staff believe there are a number of high priority projects needed to protect critical coastal areas and ASBSs along the coast. These projects can be closely coordinated with the priorities of the Council to bring about more effective and integrated water quality projects for the protection or restoration of impaired coastal watersheds. If more than \$10 million in ASBS need is found during the solicitation process, additional proposed projects would also be coordinated with the Council.

The State Water Board would use the following process, consistent with Proposition 50 requirements, to select projects and administer the funds designated for mutual Ocean Protection projects.

- Develop draft Proposition 50 Guidelines (as required by Water Code 79505.6), with staff assistance provided by the Coastal Conservancy, which identify mutual priorities of the Council and the State Water Board, and detail the technical review and selection process for recommending projects to the Council and the State Water Board.
- Hold workshops to obtain stakeholder input.
- Present the Guidelines to the Council for review and recommendation prior to adoption by the State Water Board, providing the meeting schedules do not delay the overall grant timeline.
- Include Coastal Conservancy staff on the technical review and selection panels.
- Present highest ranked projects to the Council for review and recommendation prior to consideration by the State Water Board.

The State Water Board proposal to designate \$10 million of the \$66 million for projects meeting both the requirements and priorities of the State Water Board and those of the Council, does not cap the funding opportunities for Ocean Protection projects. The remaining \$56 million, which is designated for the CBI (\$23 million) and CNPS (\$33 million), will be used to fund a broad array of critical water quality projects in the coastal area – coastal waters, estuaries, bays and near-shore waters and groundwater. Many of these would also be expected to address priorities of the Ocean Protection Council. State Water Board staff will closely coordinate with Coastal Conservancy staff to provide information on all projects of interest to the Council.

In 2004, legislation for appropriation of funds for Ocean Protection projects was proposed, but not enacted. State Water Board staff understands that there is proposed FY 05-06 budget language to appropriate \$15 million from Water Code Section 79543 for projects to eliminate or reduce discharges to ASBSs. If \$15 million of the State Water Boards FY 05-06 allocation is dedicated for this purpose, our intention would be to follow the grant process outlined above, working jointly to include Coastal Conservancy staff in the grant process, so that \$15 million, instead of \$10 million, is disbursed to projects of mutual high priority to the Council and the State Water Board.

POLICY ISSUE

Should the State Water Board designate \$10 million of Proposition 50 funds upon enactment of the FY 05-06 Budget from Water Code Section 79543 for ocean protection projects, in consultation with the Council, and consistent with bond requirements?

FISCAL IMPACT

The FY 05-06 Governor's Budget contains approximately \$66 million from Proposition 50, Section 79543. The action would designate \$10 million of the funds that have previously been identified by the Water Boards for CBI projects, for high priority coastal and ocean protection projects that specifically address the priorities of the State Water Board and those of the Council. The Water Boards have been provided with state operations funds from Proposition 50 to administer the programs.

REGIONAL WATER BOARD IMPACT

Yes, any projects selected to implement Section 79543 of Proposition 50 will affect Coastal Regional Water Boards.

STAFF RECOMMENDATION

That the State Water Board approve the use of \$10 million dollars from Proposition 50 Section 79543, previously proposed for the Water Boards' CBI activities in the FY 05-06 Budget, for high priority coastal and ocean protection projects that specifically address the priorities both the State Water Board and those of the Council. Staff also recommends close consultation with the Council and the Coastal Conservancy on project solicitation and awards.

DRAFT

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2005 -**

**RESOLUTION DESIGNATING \$10 MILLION OF PROPOSITION 50 FUNDS FOR OCEAN
PROTECTION PROJECTS**

WHEREAS:

1. Proposition 50 provides funds upon appropriation by the Legislature to the State Water Resources Control Board (State Water Board) for the purpose of financing projects that restore and protect the water quality and environment of coastal waters, estuaries, bays and near-shore waters, and groundwater;
2. All expenditures, grants and loans made pursuant to Proposition 50, Section 79543 must be consistent with the requirements of Article 5 of Chapter 7 of Division 26 of the Water Code;
3. Proposition 50 enacting legislation requires implementing agencies utilize stakeholder based processes for developing Guidelines and project selection criteria;
4. The Governor's Fiscal Year (FY) 05-06 Budget proposes to allocate approximately \$66 million from Proposition 50, Section 79543 to the State Water Board for the purposes of the section; and
5. The State Water Board and the Ocean Protection Council (Council) have mutual high priority water quality goals that can be addressed through consultation on project solicitation and award from this section.

THEREFORE BE IT RESOLVED THAT:

The State Water Board approves making available \$10 million of the Proposition 50 funding from Water Code Section 79543 that the State Water Board requested be appropriated in FY 05-06 for the Clean Beaches Initiative grant program for projects of mutual benefit with the Council, consistent with Water Code 79543 and Water Code 79148. The State Water Board will develop Guidelines that identify mutual priorities and include review and recommendation by the Council of projects for funding.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on June 16, 2005.

Debbie Irvin
Clerk to the Board